



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt  
Governor

Lowell P. Braxton  
Division Director

June 18, 1998

Neldon Kunz  
American Gilsonite Company  
HC 73 Box 28  
Vernal, Utah 84078 -9284

Re: Large Mining Operations Permit Amendment - Federal Lease #060749, American Gilsonite Company, Bonanza Gilsonite Operations, M/047/010, (UTU-073071) Uintah County, Utah.

Dear Mr. Kunz:

Thank you for your response letter received by the Division on May 27, 1998. Your response letter has adequately addressed the technical concerns described in the Division review letter of May 4, 1998; however, the determination of adequate reclamation surety remains to be resolved. The Division cannot grant final approval of this amendment for mining on federal lease #060749 until the surety issue is resolved.

This amendment will increase the total large mine operation surface disturbance by approximately 1.8 acres. The estimated cost for reclaiming the additional surface disturbance of 2.3 acres for this amendment is \$70,000. American Gilsonite has identified five sites which are bonded with the Division and have been reclaimed, but not released. The disturbance for these five sites totals approximately 5 acres. The current amount of reclamation surety allotted to these five candidate sites is approximately \$19,500.

The Division will need to perform inspections of sites WH-11, LED-4, P-3, P-4, and H-1 to determine if these sites can be released. The Division will not require an adjustment to the current \$324,900 reclamation surety amount until after the release candidate sites have been inspected. Please contact Tony Gallegos to coordinate these inspections at a mutually agreeable time during this Spring 1998.

In addition to the surety posted with the Division, American Gilsonite has a \$120,000 statewide bond posted with the BLM which could apply to this amendment. The current MOU between the Division and BLM regarding leasable minerals (dated February 1983) allows the

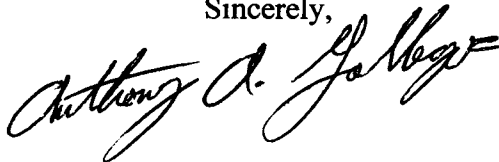
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Division to recognize reclamation surety posted with the BLM provided several conditions are met. The conditions state that: (1) the bond amount must be mutually agreeable to the BLM and Division; (2) the form of the bond must be mutually acceptable; (3) the bond must be for reclamation and general compliance with the terms and conditions of the lease; and (4) a bond posted with the BLM must not be released without written consent of the Division Director..

To recognize bonding posted with the BLM for this project the Division will need some verification of the amount of the statewide bond earmarked for reclamation of this site. We will also request a letter from the BLM agreeing not to release this reclamation amount without prior written consent from the Division. American Gilsonite may need to adjust the reclamation surety posted with the Division in order to receive final Division approval of this amendment.

Please contact me at (801) 538-5286, or Tony Gallegos at (801) 538-5267 if you have any questions regarding this letter. Thank you for your cooperation in completing this permitting action.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Program

jb  
cc: Stan Perkes, BLM State Office  
Pete Sokolosky, Vernal BLM  
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DOGM/BLM MOU . R IEAS

MEMORANDUM OF UNDERSTANDING


WHEREAS, the State of Utah, Division of Oil, Gas and Mining may, in accordance with Section 40-8-1 et seq., Utah Code Annotated, require a lessee or operator conducting a mining operation (excluding conventional oil and gas operations and coal) under privilege of a Federal lease on lands owned by the U. S. Government and administered by the Department of the Interior, Bureau of Land Management to post a mining bond or revision to an existing bond to assure reclamation of such lands;

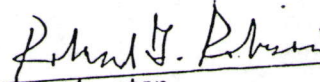
AND WHEREAS, the Department of the Interior, Bureau of Land Management may, in accordance with applicable Federal law, require such lessee or operator conducting such mining operation to post a performance bond or revision to an existing bond to assure compliance with all terms and conditions of such lease, including reclamation;

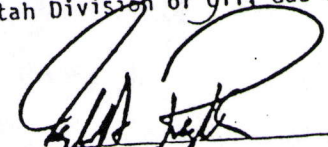
NOW THEN, let it be understood that posting of bond by such lessee or operator with the Department of the Interior, Bureau of Land Management shall satisfy bonding requirements of both of these agencies on condition of the following:

1. The bond amount is as estimated and mutually agreed upon by the State of Utah, Division of Oil, Gas and Mining and the Department of the Interior, Bureau of Land Management.
2. The form of the bond is either:
  - A. A surety bond with an approved corporate surety registered in Utah, and approved by the Department of Treasury.
  - B. A cash deposit,
  - C. U. S. Treasury notes accepted only in an amount of present market value and registered to the Department of the Interior, Bureau of Land Management.
3. The bond is accepted not only for reclamation work, but also for general compliance with all terms and conditions of the mineral lease, including payment of rentals and royalties.
4. The bond will not be released by the Department of the Interior, Bureau of Land Management without written consent of the Director, State of Utah, Division of Oil, Gas and Mining.
5. If the Department of the Interior, Bureau of Land Management and the State of Utah, Division of Oil, Gas and Mining do not agree on an amount for the bond, the State may preclude this agreement and require a separate bond.

THE understanding outlined hereinabove is agreed to by the State of Utah, Division of Oil, Gas and Mining and the Department of the Interior, Bureau of Land Management this 14th day of February, 1983.

  
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Director  
Utah Division of Oil, Gas and Mining

  
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State Director  
Bureau of Land Management  
(Roland G. Robison)

  
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Director  
Department of Natural Resources & Energy